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 TO ALL AFRICAN DIPLOMATIC POSTS
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E.O. 12356 N/A
 TAGS: EAID, ECON, EINV, XA
 SUBJECT: HOUSE FOREIGN AFFAIRS SUBCOMMITTEE
 HEARINGS ON AFRICAN AID BUDGET

1. HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON AFRICA HELD HEARINGS FEBRUARY 7 ON AID BUDGET FOR AFRICA, WITH PARTICULAR EMPHASIS ON EPI. ADMINISTRATION WITNESSES WERE AID ASSISTANT ADMINISTRATOR DONATELLI AND DAS LYMAN. COPY OF THEIR TESTIMONIES ARE BEING SENT TO YOU SEPARATELY.

2. QUESTIONING FOCUSED ALMOST EXCLUSIVELY ON EPI. CHAIRMAN WOLPE STATED THAT HE THOUGHT IT WAS UNLIKELY THAT CONGRESS WOULD APPROVE ARRANGEMENT WHEREBY ADMINISTRATION WOULD BE FREE TO CHOOSE RECIPIENTS SIMPLY THROUGH CONGRESSIONAL NOTIFICATION PROCEDURE. HE SUGGESTED THAT STAFF AND ADMINISTRATION SHOULD WORK OUT ALTERNATIVE APPROACHES. IN RESPONSE TO HIS REPEATED QUESTIONS, DONATELLI AND LYMAN STATED THAT FLEXIBILITY WAS ESSENTIAL TO SUCCESS OF EPI. IF WE SPECIFIED RECIPIENTS IN THE LEGISLATION, THERE WOULD BE NO INCENTIVES FOR OTHER COUNTRIES TO INITIATE REFORMS AND NO BASIS FOR MULTILATERAL DEVELOPMENT OF ASSISTANCE PACKAGES. DONATELLI OUTLINED A NUMBER OF CRITERIA

(SEE TESTIMONY) AND STATED THAT OUR CURRENT THINKING WAS THAT WE WOULD NOT CHOOSE THE FOUR OR FIVE LARGEST RECIPIENTS OF AID IN AFRICA (SINCE INCREMENTAL ASSISTANCE LEVEL WOULD BE RELATIVELY SMALL). WE WOULD ALSO BE UNLIKELY, AT LEAST INITIALLY, TO SELECT COUNTRIES WHERE WE HAD NO EXISTING ECONOMIC ASSISTANCE RELATIONSHIP OR WHERE THE ASSISTANCE LEVEL WAS EXTREMELY SMALL (OUR LACK OF EXPERIENCE AND INFORMATION ON SUCH COUNTRIES WOULD PROBABLY PREVENT US FROM INITIALLY BEING EFFECTIVE IN SUCH COUNTRIES). THIS LEAVES ROUGHLY 15-20 COUNTRIES IN AFRICA FROM WHICH EPI RECIPIENTS WOULD PROBABLY BE CHOSEN. WE WOULD EXPECT TO CHOOSE ONLY "A FEW COUNTRIES" IN THE INITIAL YEAR. IN RESPONSE TO QUESTIONS, MR. DONATELLI STATED THAT ZIMBABWE WOULD BE ELIGIBLE TO BE CONSIDERED. HE DID NOT EXPECT THAT TANZANIA WOULD BE

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CHOSEN BOTH SINCE IT WAS NONELIGIBLE UNDER BROOKE AND BECAUSE IT DID NOT APPEAR TO HAVE UNDERTAKEN THE TYPE OF ECONOMIC REFORMS, INCLUDING IMF AGREEMENT, WHICH - WOULD BE NECESSARY. BUT IF TANZANIA CAME OUT FROM UNDER BROOKE WE COULD LOOK AT THE REFORM RECORDIN RESPONSE TO OTHER QUESTIONS. DONATELLI AND LYMAN STATED THAT DECISIONS ON CHOICE OF COUNTRIES WOULD BE BASED ON ECONOMIC CRITERIA, BUT WOULD CERTAINLY, AS WITH THE FOREIGN ASSISTANCE PROGRAM AS A WHOLE, BE TAKEN IN THE CONTEXT OF OVERALL UNITED STATES FOREIGN POLICY CONSIDERATIONS. WE WOULD EXPECT TO WORK CLOSELY WITH OTHER DONORS SINCE AN INTERNATIONAL CONSENSUS TO SUPPORT ECONOMIC REFORM WOULD BE VERY IMPORTANT. SHULTZ
END OF MESSAGE

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